

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY THE HAGUE

INFO USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD, EFIN, NL

SUBJECT: INCREASE IN DUTCH AUTO TAXES

REF: THE HAGUE 6527, 22 DEC 1975

1. EMBASSY IS REQUESTED TO CONVEY TO APPROPRIATE GON
OFFICIALS OUR VIEWS REGARDING THE INCREASED AND SHARPLY
PROGRESSIVE ANNUAL TAX BASED ON VEHICLE WEIGHT AND THE
TWO-STAGE AUTO PURCHASE TAX DUE TO GO INTO EFFECT IN
JANUARY 1976. EMBASSY MAY WISH TO DRAW UPON THE FOLLOWING
POINTS: --

-- A. THE CHANGE FROM A LINEAR ANNUAL TAX TO A PROGRESSIVE
-- TAX PLACES A DISPROPORTIONATE BURDEN ON US-PRODUCED
-- CARS SINCE WE PRODUCE THE HEAVIER MODELS.

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-- B. THE TWO-STAGE PURCHASE TAX ALSO HAS A DISPROPOR-

-- TIONATE EFFECT ON US-PRODUCED CARS.

-- C. THE CXT ON AUTOMOBILES IS BOUND AT 11. THE NEWLY
-- INCREASED TAXES REDUCE THE VALUE OF THAT BINDING TO THE
-- UNITED STATES. -

-- D. SINCE A LARGE PROPORTION OF CARS PURCHASED IN THE
-- NETHERLANDS ARE IMPORTED, CHANGES IN THE TAX STRUCTURE
- - "IGNIFICANT EFFECT ON TRADE FLOWS. WE
-- RGE THE GON TO KEEP IN MIND THE TRADE EFFECTS OF
-- THEIR PROPOSALS TO SECURE MORE REVENUE AND TO KEEP
-- DISCRIMINATORY EFFECTS TO A MINIMUM BY ADHERING TO THE
-- LINEAR PRINCIPLE AS MUCH AS POSSIBLE IN THE FUTURE.

2. FYI: US EXPORTS OF AUTOMOBILES TO THE NETHERLANDS
IN 1974 WERE ABOUT \$12 MILLIO'. 1975 EXPORTS ARE
EXPECTED TO BE CONSIDERABLY HIGHER. A CERTAIN PORTION
OF THE TRADE IS UNDOUBTEDLY TRANSHIPPED TO OTHER
COUNTRIES IN THE EC, BUT WE DO NOT KNOW HOW MUCH. IN
1973, THERE WERE APPROXIMATELY 16,000 US-MADE CARS
REGISTERED IN THE NETHERLANDS OUT OF A TOTAL OF 3.3
MILLION. END FYI INGERSOLL

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